



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

| | | | |
|-------------------------|--------------|----------------|--|
| Bill # | SB0180 | Title: | Revise the disposition of rental car sales tax |
| Primary Sponsor: | Hoven, Brian | Status: | As Amended in Senate Committee |

- ☒ Significant Local Gov Impact
 ☒ Needs to be included in HB 2
 ☐ Technical Concerns
☐ Included in the Executive Budget
 ☐ Significant Long-Term Impacts
 ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

| | <u>FY 2016 Difference</u> | <u>FY 2017 Difference</u> | <u>FY 2018 Difference</u> | <u>FY 2019 Difference</u> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenditures: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue | \$331,841 | \$703,826 | \$743,154 | \$787,575 |
| Revenue: | | | | |
| General Fund | (\$331,841) | (\$703,826) | (\$743,154) | (\$787,575) |
| State Special Revenue | \$331,841 | \$703,826 | \$743,154 | \$787,575 |
| Net Impact-General Fund Balance: | <u>(\$331,841)</u> | <u>(\$703,826)</u> | <u>(\$743,154)</u> | <u>(\$787,575)</u> |

Description of fiscal impact: SB 180, as amended, increases and changes the source of funding for the senior citizen and persons with disabilities transportation services fund, from motor vehicle fee and taxes to 25 percent of the revenue generated by the state rental vehicle sales tax. In FY 2016, SB 180 will result in an increase in revenue to the senior citizen transportation service account of \$331,841 and a decrease in general fund revenue of the same amount. By FY 2019, the fund switch decreases the general fund by \$787,575 and increases the state special revenue fund for disabilities transportation services by a like amount

FISCAL ANALYSIS

Assumptions:

Department of Revenue

- SB 180 changes the senior citizen and persons with disabilities transportation services state special revenue account's revenue source from 0.3% of motor vehicle fee and tax revenue to 25% of the tax revenue collected under the state's sales tax on rental vehicles.

2. Under current law, 0.3% of the revenue from the following fees and taxes are deposited into the senior citizen and persons with disabilities transportation services state special revenue account:
 - a. Fees for issuing a motor vehicle title paid pursuant to 61-3-203, MCA,
 - b. Fees, fees in lieu of taxes, and taxes for vehicles, vessels and snowmobiles registered or reregistered pursuant to 61-3-321, MCA and 61-3-562, MCA,
 - c. Gross Vehicle Weight fees for vehicles registered for licensing pursuant to 61-3-3, MCA, and
 - d. All money collected pursuant to 15-1-504(3), MCA.
3. According to the Montana Department of Transportation (MDT), the senior citizen and persons with disabilities transportation services state special revenue account received \$302,895 in revenues for FY 2014. For previous fiscal years, the MDV reported the following revenue amounts: \$297,432 in FY 2013, \$299,293 in FY 2012 and \$298,829 in FY 2011.
4. HJR 2 projects that vehicle tax and fee revenue will increase by 1.2% over the previous year in FY 2015, FY 2016 and FY 2017. OBPP projects that vehicle tax and fee revenue will increase by 3.6% in FY 2018 and 2.8% in FY 2019.
5. Based on HJR 2 and OBPP projected growth rates for vehicle tax and fee revenues, revenue to the senior citizen and persons with disabilities transportation services state special revenue account are projected to increase to \$306,496 in FY 2015, \$310,319 in FY 2016, \$313,924 in FY 2017, \$325,346 in FY 2018 and \$334,425 in FY 2019.
6. Under current law, the State of Montana imposes a sales tax of 4% on the base rental charge for vehicles rented for less than 31 days (15-68-102, MCA). Vehicles subject to the sales tax include automobiles, vans, SUVs, trucks rated at one ton or less, motorcycles, off-highway vehicles, motorboats, sailboats, trucks, trailers and semis with a gross vehicle weight of less than 22,000 lbs. All the revenue generated by the rental vehicle sales tax is currently deposited into the state's general fund (15-68-820, MCA).
7. In FY 2014, the rental vehicle sales tax generated \$3.521 million in tax revenue for the state's general fund.
8. HJR 2 and OBPP projects that rental car sales tax revenue will increase to \$3.749 million in FY 2015, \$3.896 million in FY 2016, \$4.071 in FY 2017, \$4.274 in FY 2018, and \$4.488 million in FY 2019.
9. Under SB 180, the change would apply for one-half of the year in FY 2016. One-half of the 25% of the \$3,896,000 in tax revenue generated by the rental vehicle sales tax would be deposited in the senior citizen transportation services account in FY 2016, resulting in a reduction in general fund revenues of \$487,000. At the same time, the \$310,319 in projected revenue that would have been transferred from motor vehicle fees and taxes out of the general fund in FY 2016 would be kept in the general fund. Combined, the proposed law will result in a reduction in general fund revenue of \$331,841, in FY 2016, and an equal increase in state special revenue. By FY 2019, the revenue impact to the state general fund will increase to a revenue loss of \$787,575 in FY 2019. The changes are presented in the following table:

| Change in Funding for the Senior Citizens Transportation Fund under SB 180 as Amended in Senate Committee | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| Fiscal Year | 2015 | 2016 | 2017 | 2018 | 2019 |
| Present Law | | | | | |
| GF Motor Vehicle Transfer | (\$306,496) | (\$310,319) | (\$313,924) | (\$325,346) | (\$334,425) |
| Senior Citizen Transportation Fund | \$306,496 | \$310,319 | \$313,924 | \$325,346 | \$334,425 |
| General Fund Rental Vehicle Sales Tax | \$3,749,000 | \$3,896,000 | \$4,071,000 | \$4,274,000 | \$4,488,000 |
| SB 180 as Amended in Senate Committee | | | | | |
| GF Motor Vehicle Transfer | (\$306,496) | (\$155,160) | \$0 | \$0 | \$0 |
| Senior Citizen Transportation Fund (MV) | \$306,496 | \$155,160 | \$0 | \$0 | \$0 |
| General Fund Rental Vehicle Sales Tax | \$3,749,000 | \$3,409,000 | \$3,053,250 | \$3,205,500 | \$3,366,000 |
| Senior Citizen Transportation Fund (RVST) | \$0 | \$487,000 | \$1,017,750 | \$1,068,500 | \$1,122,000 |
| Change due to SB 180 as Amended in Senate Committee | | | | | |
| General Fund | \$0.00 | (\$331,841) | (\$703,826) | (\$743,154) | (\$787,575) |
| Senior Citizen Transportation Fund | \$0.00 | \$331,841 | \$703,826 | \$743,154 | \$787,575 |

10. The department will absorb the costs associated with implementing the provisions of SB 180.

Department of Transportation

11. SB 180 would increase the senior citizens and persons with disabilities services (TransADE) account from approximately \$325,000 per year (FY 2017 through FY 2019 average) to \$1,070,000 per year, a net increase of approximately \$ 745,000.

12. The funds would increase grant payments to local transit services.

13. The bill expands eligible TransADE recipients by including providers in Great Falls, Billings, Missoula and Tribal governments.

14. MDT will absorb administrative costs within the existing program.

Secretary of State

15. This bill provides for tribal notification. SB 180 will have minimal cost for postage and administrative duties and will be absorbed within current resources.

| <u>Fiscal Impact:</u> | <u>FY 2016 Difference</u> | <u>FY 2017 Difference</u> | <u>FY 2018 Difference</u> | <u>FY 2019 Difference</u> |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Department of Transportation | | | | |
| <u>Expenditures:</u> | | | | |
| Grants | \$331,841 | \$703,826 | \$743,154 | \$787,575 |
| TOTAL Expenditures | \$331,841 | \$703,826 | \$743,154 | \$787,575 |
| <u>Funding of Expenditures:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$331,841 | \$703,826 | \$743,154 | \$787,575 |
| TOTAL Funding of Exp. | \$331,841 | \$703,826 | \$743,154 | \$787,575 |
| Department of Revenue | | | | |
| <u>Revenues:</u> | | | | |
| General Fund (01) | (\$331,841) | (\$703,826) | (\$743,154) | (\$787,575) |
| State Special Revenue (02) | \$331,841 | \$703,826 | \$743,154 | \$787,575 |
| TOTAL Revenues | \$0 | \$0 | \$0 | \$0 |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | | | |
| General Fund (01) | (\$331,841) | (\$703,826) | (\$743,154) | (\$787,575) |
| State Special Revenue (02) | \$0 | \$0 | \$0 | \$0 |

Effect on County or Other Local Revenues or Expenditures:

1. Local transit providers will see an increase in TransADE funds for operating and match.
2. The public transportation allocations under this bill would supplant local revenue committed as non-federal match, and those displaced funds could be used on other purposes not related to the senior citizen and persons with disabilities transportation services fund.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date